

City of Detroit


CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: November 5, 2007

RE: Recreation Department's Recreation Activity Fund Integration into
DRMS **(Report No.1) Item 2 on Today's Budget, Finance and
Audit Committee Calendar**

During the Budget, Finance and Audit Committee meeting on October 29, 2007, the City Council received a status report from the Finance Department on the incorporation of the Recreation Activity Fund (RAF) into the Detroit Resource Management System (DRMS), the City's accounting and financial reporting system (see attached). The committee members referred this report to the Fiscal Analysis Division for review.

Based on our review of funds in DRMS, we discovered that a transfer of \$451,048.58 from fund 7510, Other Trust and Agency to fund 3650 Recreation Activity Fund took place on July 31, 2007. We did not find any other RAF activity in DRMS.

We are uncertain why there was balance in the Other Trust and Agency fund that was related to the RAF. Perhaps this is due to the incomplete efforts of the Finance Department to transition the RAF into DRMS during fiscal year 2002-03, according to the November 2006 audit of the RAF recently presented by the Auditor General's Office.

As another point of reference, the RAF audit indicated a balance of \$596,496 in the RAF as of June 2006. Again, we note the transfer of \$451,048 into the RAF in DRMS. Although it is conceivable expenditures reduced the amount to the amount of the transfer, this fund receives revenues from recreation activity as well. In addition, the Council should be reminded that the RAF audit reported that \$58,835 was embezzled from this fund between 2002 and 2004. We are not suggesting that another embezzlement occurred since 2004. But this scenario illustrates even more the importance of the reconciliation process that is currently taking place in Recreation concerning the RAF financial transactions and the monitoring of this process by the Project Administration Section of the Finance Department.

The attached memo indicates that the RAF will be fully integrated into DRMS by the end of January 2008. The Fiscal Analysis Division suggests that this issue come back as a line item in the Budget, Finance and Audit Committee on Monday, January 14, 2008 for a status report from Finance on the integration of the RAF into DRMS and the reconciliation process.

We also agree with the Auditor General that the Recreation Department provide the City Council an annual RAF report that reflects opening fund balance, receipts, disbursements and ending balance, along with proposed major and minor usages of the fund during the upcoming year. This report should be provided to the Council before the 2008-09 budget process starting in April.

Lastly, the RAF audit indicated that the Auditor General reviewed the RAF financial activity for the period January 2002 through September 2005. The Council may suggest that the Auditor General schedule an audit of the RAF activity since September 2005 as soon as possible in his next year's audit plan.

Attachment

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer
Loren Jackson, Recreation Director
Charles Beckham, Chief Operating Officer
Roger Short, Chief Financial Officer
Pamela Scales, Budget Director
Kandia Milton, Mayor's Office

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CITY OF DETROIT
FINANCE DEPARTMENT

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October 26, 2007

HONORABLE CITY COUNCIL

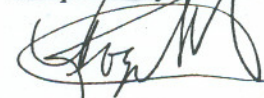
RE: Report on the Audit of the Recreation Department's Recreation Activity Fund (RAF)

Pursuant to your request during the Budget, Finance and Audit Standing Committee on September 24, 2007 for a status report on the Recreation Activity Fund, the Finance Department has met with the Recreation Department and progress is underway. In fact, a journal entry has been posted to reflect the 7/01/2007 balance of the Recreation Activity Fund in DRMS. Recreation is currently in the process of reconciling the first quarter so that the deposits and withdrawals can be updated.

The Finance Department's Accounts Payable Section and Purchasing Division have met with Recreation staff and addressed Recreation's needs and concerns. We intend to have the RAF fully integrated into DRMS by the end of January 2008. The Finance Department has assigned the Project Administration Section to closely monitor the activity of the Recreation Activity Fund and provide assistance as needed.

Although it has been a challenging process, the Finance Department will integrate the RAF into the City's general ledger and provide transparent reporting and accountability.

Respectfully submitted,



Roger Short
Chief Financial Officer

cc: Charles Beckham, Director, General Services Department
Loren Jackson, Director, Recreation Department
Kandia Milton, Legislative Liaison, Mayor's Office
Loren Monroe, Auditor General, Office of the Auditor General

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